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Agricultural Business Profile on Agri-Tourism

This profile has been compiled as a source of information for those who may be considering Agri-tourism as a commercial venture. The reader is cautioned that the information provided should be considered as a starting point only. It does not substitute for a business plan; a business plan incorporates specific information unique to the investor. The preparation and evaluation of a business plan is a critical step that must be taken before any significant investment is made. While every effort has been made to ensure the accuracy of the information provided, the reader is further cautioned that information critical to his or her business plan should be verified. Particular attention should be paid to information that may become outdated.

Abstract

Agri-tourism attracts tourists to rural communities for a form of relaxation that follows the growing trend of tourism that is both educational and recreational. It is another option for farmers wanting to diversify their farming operations that will help bring more economic activity to rural Prince Edward Island, sustaining communities throughout the province. The landscape, much of the infrastructure, and the resources are already in place on the Island to take advantage of the opportunities. Entrepreneurs will have to carefully research and assess their situation with regards to location, marketing, human resources and facilities before developing an in-depth business plan.

Background

Prince Edward Island has been a tourist destination for more than a century. Visitors are attracted to the Island because of its rural landscape, which has been defined by its agriculture resources. PEI tourism and agriculture are, therefore, linked in an inseparable bond.

Agri-tourism is the economic activity that occurs when agricultural products or services are provided to the traveling public. The Agri-tourism sector includes farm-oriented retail opportunities, farm-based accommodations, meals, activities, and agricultural events, where tourists interact directly with the farm family and their employees.[1]

With increasing production costs and tighter margins, farm families are seeking new ways to diversify and add value to their operations. They need to be able to better utilize their human and capital resource base to be more competitive and profitable.

Consequently, there is growing interest in Agri-tourism. It not only can help increase farm income, but also can promote and serve as a sales outlet for both raw and value-added agricultural products. The entire agriculture industry also benefits by enhancing agriculture awareness.

Agri-tourism already exists, to a significant extent, on Prince Edward Island. Some examples of these businesses include farm-based bed and breakfasts, roadside markets, a winery, petting zoos, fee fishing, horse-back riding and farm museums. Some businesses have linked with other attractions to package their services as part of a coordinated marketing program.

This profile provides a general overview of the opportunities that exist and some specific examples of farm based accommodations.

Starting an Agri-Tourism Business: Pros and Cons[2]

For rural communities trying to diversify their economies, Agri-tourism offers an alternative that allows a large financial range for capital outlay, depending on how much the entrepreneur wants to invest. But under what circumstances does a tourism-based business make sense for a specific farm family?

Advantages

Agri-tourism enterprises create employment opportunities for family members and supplement the family's income. One of the most rewarding aspects of Agri-tourism for many farmers is the opportunity to provide the public with a better understanding of what agriculture is really about. It is also an opportunity to enhance the community's economic potential.

Disadvantages

On the other hand, the possible disadvantages of an Agri-tourism enterprise must also be considered. The tourism aspect may compete with the main farm operations for time and labour. Some other negative issues are the loss of privacy, extra responsibilities, modest financial returns, and the high liability risk.

What Does it Take to Start a Successful Agri-tourism Business?

Developing a successful new farm enterprise requires thorough market research and business planning. Each individual situation is unique. Farmers are not encouraged to start enterprises that are inappropriate for them, or that have limited markets already served by existing operators.

An important first step in evaluating a new business opportunity is to examine the goals and the philosophies of the whole farm family before making any decisions. Some Agri-tourism enterprises are not entered into for the primary purpose of profit. They are seen by the farm family as an exciting opportunity to meet new people, share their farm-life with others, and to earn extra income.

Along with establishing goals, prospective Agri-tourism entrepreneurs need to do market research and financial budgeting. Whether a farmer chooses to start an agricultural bed and breakfast, host day visits to the farm, or enter into a more creative enterprise, the key is to understand the options available and choose an enterprise that is suited to that particular farm and family. This requires careful consideration of a host of management issues that will affect the success of an Agri-tourism enterprise: social skills, site considerations, insurance, labour, and regulations. Very careful consideration needs to be given to each of these factors before venturing into an Agri-tourism business.

Social skills are probably the most important of these factors. Entrepreneurs involved in Agri-tourism should be "people" persons - they should enjoy having people in their homes, they need to be open to questions and they need to have the ability to promote themselves and their farm. They also need to be flexible and to have the time to interact with their guests.

Site considerations include the location of the farm with respect to scenic vistas and closeness to other tourist attractions. The farm must be easily accessible to visitors and their various forms of transportation and have ample parking facilities. The farm needs to be attractive, clean and reasonably free of odour.

Liability Insurance should be obtained prior to initiating an Agri-tourism business. A farmer may be held legally responsible for any person on his or her property and liability insurance can protect the farm and its assets. This can be added to the existing farm owner's policy or through writing a general liability policy. It is safe to assume that any new operation would not be covered by an existing policy; a qualified insurance agent, as well as an attorney, should be consulted to guarantee full protection. Extra attention must be paid to ensuring that the operation is as safe as possible at all times. Fences, protective devices on equipment, and warning signs must be in place before the business is open to the public.

Labour will be greatly affected by the new Agri-tourism business. Farmers will need to decide who will be the primary manager of the new enterprise, and whether or not family labour will be enough to handle the increased responsibilities or if regular farm employees will need to devote time to the new venture. Children can be an added resource in this area, assuming that they are mature enough, and interested enough, to participate.

Provincial, Federal, and Municipal Regulations affect everything from the restrooms needed, to signage and zoning requirements. Since Agri-tourism is a relatively new industry, it is not always clear what agency is responsible for each aspect of the enterprise.

The key to establishing a successful Agri-tourism business is understanding the available options and choosing and enterprise that is suitable to the individual situation.

Agri-Tourism Products

1. Accommodations

Participation in the Canada Select Accommodation Rating Program which rates accommodation based on established industry standards is a good business decision for owner/operators and their guests.

A. Cottages

Many farms have a couple of acres of land that are the perfect location for cottages. The land may overlook water or the surrounding countryside and be close enough to the farm home to be convenient, yet far enough away to be private. Cottages may be a option for farm families who want more privacy. Often, cottages are rented on a weekly basis which minimizes the workload with regards to cleaning and changing bedding. Cottages also allow the farm family to complete their farm chores on their own schedule. Another important consideration is the fact that a 3 Star accommodation is easier to achieve and therefore more funding options are accessible.

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B. Bed and Breakfasts

With modest improvements to washrooms, beds, dining facilities and parking, a farm home can obtain 1 Star rating. A 1 Star rating has criteria such as a standard room size, window screens and coverings, clothes storage, linens, door locks, smoke detectors, and parking facilities. A 2 Star rating exceeds the previous requirements by offering better quality mattresses, linens, floor/window/wall coverings, and additional room furniture including lighting.

A continental breakfast with a minimum of three items must also be provided on the premises.

The higher end Bed & Breakfasts from 3 to 5 Star rating, caters to specific clientele, and has above average accommodations. Incorporating this type of Bed and Breakfast into an existing operation requires significant changes and commitment by the operator with respect to time and investment.

A 3 Star accommodation must have coordinated furniture, better quality bedding, and have a private bath for each guest room. A 4 Star unit must have superior quality throughout the facility and must have laundry facilities for the guests. Only properties with luxury at a world standard are awarded a 5 star rating. They offer outstanding facilities, guest services and amenities.

2. Farm-Based Recreation

A number of farm based activities could be operated in conjunction with the accommodations to help increase the activities offered to guests on a pay as you go basis.

Examples of these are:

- Nature Trails
- Hay rides
- Horseback Riding
- Petting Zoos
- Farm Tours / Demonstrations
- Farm Museums / Heritage Education
- Stocked Ponds for Fishing

3. Direct Marketing

Other Agri-tourism endeavors on the farm may include the Direct Marketing of farm products at the farm gate or a farmers' market. Innovative ideas using farm-based products have the greatest potential to earn the most money. Finding the niche markets and expanding on these unique opportunities can create the most rewarding and successful business ventures.

The *1999 North American Farmers' Direct Marketing Conference - Proceedings*[3] describes many different operations in other areas of North America and Europe that have been successful. Different events on the farm, such as maple syrup collection, strawberry festivals, pumpkin weigh-offs, and sleigh rides celebrate the different seasons of the year. Marketing niches such as water gardening supplies, herbal plants and products, and breeding exotic animals require careful attention to constantly changing consumer trends. These can be very profitable if developed in conjunction with other attractions. They can also attract many tourists who are looking for something different for the whole family.

4. Value-added products

The term Value-added Product is being used regularly by entrepreneurs trying to develop and expand their businesses. In an attempt to find "niche markets", products are being further processed and sold at the farm gate or through local markets. To attract clientele, the business must offer something that is different from the competition. Value-added products, such as specialty meats and cheeses, apple cider and pies, or dried flower arrangements are popular. These products, when marketed on or near the farm, can draw people to the rural location and enhance the community's economy.

Packaging the Agri-Tourism Experience

Tourism development in Agriculture that takes place in an integrated manner can take advantage of many add-ons and be sold as one product. The packaging of an Agri-tourism experience requires more work in the planning stages but has potential to attract more customers. An example of packaging could be a community effort whereby the entrepreneur's farm is one of many destinations within a local tour. The farm's products could be highlighted at the farm gate or featured for lunch at the local restaurant. Different farm operations can work together to package their products to form gift baskets for tourists. A stay at a farm Bed and Breakfast can include admission to the local agricultural fair, a game of golf and a local guided tour. Honeymoon packages can be designed to be part of a cottage or Bed and Breakfast stay.

A. Commercial Farm Tours

Farm tours may be organized in many different fashions. There may be just one farm hosting the tour, or a group of farms in a given area may be included, providing the tourist with an overall picture of agriculture in the area.

Tours may be operated individually, where a family or group of people may choose to participate in the tour on their own, or they may be operated on a large scale, where tour buses have worked the farm tour into their agenda in advance. A packaged tour may include a tour of a farm and a processing plant so that the tourist will have a fuller understanding the food chain.

Other regions have established various trails or driving routes, where a number of like enterprises may be seen along the route such as a Wine Route, Cheese Route, Apple Trail, etc.[4]

B. Agriculture Fairs and Attractions

1) P.E.I. Fairs and Exhibitions

The new Old Home Week is the provincial week-long fair featuring livestock shows and horse racing along with entertainment. The 4-H and Women's Institute displays encourage public interaction. Other Community Fairs and Exhibitions are one, two, or three day local events that have a significant role to play in promoting the agriculture industry at the local community level. The Evangeline Area Agriculture Exhibition and Acadian Festival in Egmont Bay is an excellent example of a community exhibition that offers great exposure to the agriculture industry through public interaction, Livestock judging, 4-H projects, contests and demonstrations.

2) Museums or Interpretive Centres

Many tourists are attracted to a central location that is designed for rain or shine activities. Touring a museum or interpretive centre for general agriculture, or where specific commodities are profiled, represent a good way to learn more about P.E.I. agriculture in a hands-on manner. Orwell Corner Historic Village is an example of an interactive museum, emphasizing the important role that agriculture has played in PEI's economy. There are special events throughout the summer at this venue, such as Old Farm Day and Horse Pulls, in addition to the ongoing, daily demonstrations.

Marketing

A Marketing plan should include a good analysis of customer needs in order to develop business objectives based on an evaluation of current supply and demands in the Agri-tourism market.

Once the target market has been identified then some market research is needed to establish the economic viability for different types of Agri-tourism enterprises. If the Agri-tourism operation or recreational activity is seasonal, then other opportunities such as fairs, festivals, joint marketing, and networking with community involvement should also be considered.

After conducting some research, a budget must be established which includes promotional activities. These may include participation in industry shows, producing brochures and newsletters, advertising and distribution of materials, and participating in public relations activities. Today the Internet represents a growing means of communicating what products you are offering and e-commerce may play a role in handling some of the financial transactions in the future.

The investment in advertising is important. The Tourism Marketing Authority has an Advertising Marketing Co-op Program that is responsible for The Visitor's Guide, The Visitor's Guide Website, PEI Road Maps, International Travel Trade Shows, the PEI Value Vacation Planner, flyer distributions in major newspapers and value coupon books. The Tourism PEI Sales Team and the Atlantic Canada Tourism Partnership have developed initiatives to promote Island tourism internationally and to develop new markets. There are also cooperative initiatives to develop tourism within the Atlantic Provinces.

Marketing strategies vary depending on whether the Agri-tourism operation is an individual facility, such as bed and breakfast, a recreational facility or a direct marketing facility, such as a roadside market stand. Examples of various market studies have been done in many areas.[5]

As Agri-tourism develops as an additional source of income for a farm family, competition will increase. Similar business concepts will create a need for some diversification and further development to attract new visitors on an annual basis.

The Nova Scotia Farm and Country Bed and Breakfast Association has been in existence for 25 years and is actively promoting the rural experience. The PEI Farm Vacation Association has also been operating for a number of years.

Research

No formal research has been done specifically for Agri-tourism on Prince Edward Island. The tourism industry, however, does a significant amount of research in the form of visitor exit surveys. This survey is designed to collect basic economic indicators. It identifies how many tourists visited the Island in a year, where the tourists were from, their demographics (ie. age, sex, marriage status, etc.), party size and composition, whether the trip was for business or pleasure, the mode of travel to PEI, the length of vacation (total and on PEI), the type of accommodations used, expenditure information, and their activity participation. These results are available from Island Information Services.

Key Management Issues[6]

It is essential that the following questions concerning production, marketing and management be answered if an individual or company is planning to continue to investigate Agri-tourism as a business.

1) Are you prepared to develop a complete business plan for an Agri-tourism enterprise and to test this plan on an affordable scale?

2) Are you prepared to learn all you can about Agri-tourism and marketing through visits to existing operations, workshops and reading all available materials about the products and marketing of the concept?

3) Have you defined the amount of time you will have to contribute to the continuous marketing of your product and to improving the quality of your product?

4) Are you aware of the resources required to establish an Agri-tourism enterprise on the scale you plan to set up and the returns that can be expected?

5) If your Agri-tourism business requires additional help, are you prepared to hire, train and supervise staff?

6) Will you keep your business safe for tourists at all times and assume the added liability risk?

7) Are you prepared to manage the business segment and perform administrative duties?

8) Above all, are you prepared to take the risks associated with an Agri-tourism enterprise?

Regulatory Issues

There are no regulatory issues that apply specifically to Agri-tourism. There are, however, Acts and Regulations that govern both the Tourism Industry and the Agriculture Industry. All those that are applicable to the individual venture must be adhered to.

Tourism Industry Act and Regulations: Anyone wishing to operate a tourism business is responsible for meeting the minimum licensing requirements within the province. This is especially important for accommodations and campground operators.

Tourism Establishment Rate Form: Anyone who has rental units must complete this form prior to being issued a rate card. It sets out the minimum rates for each individual rental unit and must be posted in the appropriate unit.

Inspection: Once all application forms are completed and the licensing fee paid, an Accommodation Advisor (Inspector) will visit the property, answer questions, and inspect the establishment. During inspection a water sample will be taken, which is paid for by the operator. Once licensed, an Accommodation Advisor will visit the property unannounced on an annual basis.

Canada Select Accommodation Rating Program: Anyone wanting their new accommodations listed and advertised in the Visitor's Guide must publish a star rating. This program rates roofed accommodations on aspects of physical quality, facilities, services and amenities offered. The Canada Select Category Definition for Farm Vacations states that the farm must be fully operational, and personalized hospitality must be given directly by the owner/operator. Providing breakfast on the premises is not required.

Camping Select Rating Program: This rating program for campgrounds/RV parks assesses physical quality, facilities and services. It also assigns a separate star rating for recreational facilities and activities.

Taxation:

Provincial Sales Tax: All tourist operators are required to collect and remit provincial sales tax.

Goods and Services Tax: If the Agri-tourism business makes over $30,000 annually, the operator is responsible for collecting and remitting GST.

Fire Regulations: All buildings and accommodations must comply with fire code regulations. Supplying emergency information is mandatory if the owner/operator does not live on the premise.

Roads Act: Anyone who intends to install a new access or to change an existing access to accommodate traffic requires a permit under this Act.

Canada Agriculture Products Act: Anyone wishing to market fresh produce interprovincially must be in compliance with this Federal Act with respect to import and interprovincial trade.

Food and Drug Act: Anyone selling agriculture products should be concerned with this Canada Act with respect to agriculture chemical residues, food additives, labeling and processing.

Occupational Health and Safety Act: At the present time, farming operations located on property that qualifies for a farm assessment under the *Real Property Assessment Act* are not subject to the requirements of the Occupational Health and Safety Act and Regulations. However, the Act and Regulations can provide excellent guidance on worker health and safety issues.

Costs

Setup Costs: Starting a new business requires some initial output, regardless of the type of operation it is.

Developing a Cottage Operation requires significant investment. The cottages themselves must be built using regulated building standards. Each cottage must then be equipped with appliances, furniture, linens and utensils. A well and a septic system must both be dug and put into place.

A Bed and Breakfast facility requires more bedding, towels and furniture. Many older farm homes may require further repairs to walls and floors and bathroom upgrades.

If the entrepreneur is interested in getting into a recreational activity such as trail rides, buggy rides or sleigh rides, more reliable horses, tack and stalls may be required. There may also be additional costs for setting up buildings to use as an office or as a place to market value-added products.

New businesses require additional marketing and business materials, such as signs, brochures and advertisements and major credit card accounts.

Cottage Example and Assumptions:
The Cottage Operation example will include five cottages plus a storage/utility/laundry building. Five cottages were used since ACOA only funds projects with a minimum of three units. The purchases required to setup the interior of the cottages will be based on new prices but it makes financial sense to use good quality second hand furniture and kitchen equipment. Therefore these costs will vary. To comply with the Tourism Industry Act Regulations, each rental unit must be able to be heated to a temperature of 21 degrees Celsius at all times that it is occupied. The cottages in this example have electrical base-board heating. These costs could also change if the entrepreneur has a different heat source.

The assumption that the clear land is currently owned by the entrepreneur is also an important consideration. This means that there are no real estate, survey or lawyer costs.

The following parameters were used as guidelines:

1) The Cottage Operation is open from June to the end of September.

2) The cottage dimensions are 24' x 24' with a front porch that is 8' x 24'. Each cottage has two bedrooms. One bedroom has one queen size bed for two people and the other has two single beds. Guests share a common bathroom. The Tourism Industry Act Regulations require that there is a minimum of 175 sq. ft. for two guests, including bathroom facilities, but excluding the kitchen and any shared common room.[7] This cottage design allows 250 sq. ft. for both bedrooms (9' x 12' each) and the bathroom.

3) The cottage costs include a new stove, refrigerator, dishwasher, microwave, kitchen cupboards, bathroom vanity with mirror, tub with shower unit, and bedroom closets. The costs also include flooring and painted gyproc that meet the 3 Star standard.

4) Although the operation is busy during July and August, a 60% occupancy rate is assumed, to take into account the slower shoulder months.

5) The accommodation rate has been estimated at $700/week.

Bed & Breakfast Example and Assumptions:
A 3 star facility requires that a private bathroom be in each bedroom. Unless a home is originally built to facilitate a bed and breakfast operation, a bathroom in each bedroom of a farm home is structurally difficult. Most rooms are not big enough to accommodate this, and the expense of this renovation would be difficult to recover. Currently, ACOA funds only 3 star or better accommodations, making it difficult to access this funding for bed and breakfast purposes.

Therefore, the example used in this profile is that of a 2 Star bed and breakfast operation and can be applied to most farm homes on Prince Edward Island. The following parameters were used as guidelines:

1) The bed and breakfast operation is open from June to the end of September

2) The home has three bedroom units. One bedroom has one queen size bed for two people and two bedrooms have two beds for four people. They share a common bathroom.

3) Although the operation is busy during July and August, a 60% occupancy rate is assumed, to take into account the slower shoulder months.

4) The rate has been estimated at $40/night (singles/couples) and $50/night (family).

Costs and calculations will vary depending on the situation. For example, location will affect occupancy rate and the home's existing decor will affect setup costs.

Potential Returns and Expenses:
This business profile has highlighted a 2 Star bed and breakfast operation because it is an Agri-tourism business that requires less capital investment than other ventures and is a good introduction to the Tourist Industry on a small scale. The returns are only modest at this level, but if the entrepreneur finds that he or she enjoys Agri-tourism, then the business plan can be expanded and developed to a larger scale that may include additional cottages, a roadside market, or farm-based recreational activities.

There is little statistical information available on the returns and expenses for Agri-tourism on persons must be prepared to conduct research and carefully estimate setup and operating costs. There are entrepreneurs who have been very successful entering the tourism business and there are others who have made only marginal returns.

An Example of Setup Costs for a 3 Star Cottage[8]

(Based on five New Cottages at Purchase Costs)

	Per Unit	Total/Cottage	Total/Operation
5 Cottages	$ 40,000	$ 40,000	$ 200,000
1 Well and 1hp Pump			$ 3,500
1 Septic System			$ 8,000
Landscaping (Incl. Clearing, Leveling, Lawn, and Parking Lot)	$ 800		$ 4,000
Survey			$ 500
Building Permits			$ 200
20' x 20' Utility Building (Incl. Pump Room, Main Electrical Panel, Laundry Facilities, Storage, and Small Office)			$ 20,000
3 Bed Frames	$ 70	$ 210	$ 1,050
3 Mattresses	$ 300	$ 900	$ 4,500
3 Quilted Mattress Pads	$ 20	$ 60	$ 300
6 Sets of Sheets and Pillowcases	$ 22	$ 132	$ 660
3 Bedcovers	$ 100	$ 300	$ 1,500
6 Pillows	$ 10	$ 60	$ 300
5 Whiteout Curtains	$ 70	$ 350	$ 550
2 Bureaus with Mirrors	$ 200	$ 400	$ 2,000
4 Lamps	$ 50	$ 200	$ 1,000
12 White towels/wash cloths	$ 36/dozen	$ 36	$ 180
3 Night stands	$ 50	$ 150	$ 750
3 Fire Resistant Wastebaskets	$ 10	$ 30	$ 150
Living Room Furniture (Incl. 1 sofa, 2 chairs, 2 end tables)	$ 600	$ 600	$ 3,000
Kitchen Furniture (Incl. 1 table, 4 chairs)	$ 400	$ 400	$ 2,000
Kitchen Utensils (Incl. Setting for 8, and cooking utensils)	$ 50	$ 50	$ 250
Pots and Pans	$ 50	$ 50	$ 250
Set of Plates (Incl. 8 dinner plates, 8 bread plates)	$ 20	$ 20	$ 100
Set of Glasses (Incl. 8 drink glasses, 8 coffee mugs)	$ 20	$ 20	$ 100
Kitchen Linens (Incl. 4 tea towels, 4 dish cloths)	$ 15	$ 15	$ 75
Washer and Dryer	$ 1,000		$ 1,000
Colour Television	$ 250	$ 250	$ 1,250
3 Pictures	$ 20	$ 60	$ 300
2 Lawn Chairs	$ 20	$ 40	$ 200
1 Smoke alarm	$ 15	$ 15	$ 75
Accessories (ie. 2 bicycles, 2 barbecues)			$ 600
Total			**$ 258,340**

Estimated Annual Operating Costs
3 Star Cottage Operation
(Based on Five Cottages)

Income		
Cottage Income from Five Cottages (Based on 60% occupancy rate @ $700/week)	**$**	**33,600.00**
Annual Operating Expenses		
Labour (20hours/week x 16 weeks x $6/hr)	$	1,920.00
Liability Insurance (For $2 million coverage at PEI Mutual)	$	211.00
Association Memberships		
- TIAPEI	$	100.00
- Tourism PEI	$	80.00
- PEI Farm Vacation Association	$	65.00
- Local Area Tourist Association	$	48.00
- PEI Vacancy Board	$	70.00
- Canada Select	$	80.00
Advertising		
- 1000 Brochures	$	129.00
- Business cards	$	200.00
- Ad in PEI Tourist Guide without photo	$	134.00
- Internet Advertising (ie. www.peionline.com)	$	200.00
- 1-800 number	$	120.00
Laundry Expenses (soap, fabric softener, water, energy)	$	250.00
Individual Soaps/hand conditioner/shower caps	$	200.00
Dish Detergent	$	100.00
Toilet Paper	$	250.00
Garbage Bags	$	100.00
Additional electrical/heating expenses	$	1,500.00
Water Testing	$	12.84
Grass Cutting	$	200.00
Repairs	$	200.00
Major credit card @ 3%	$	1,000.00
Accountant	$	75.00
Total Estimated Annual Operating Expenses:	**$**	**7,244.84**
Margin	**$**	**26,355.16**

An Example of Setup Costs for a 2 Star Bed and Breakfast

(Based on New Purchase Costs)

	Per Unit	Total
5 Bedframes	$ 70	$ 350
5 Mattresses	$ 300	$ 1,500
5 Quilted Mattress Pads	$ 20	$ 100
10 Sets of Sheets and Pillowcases	$ 22	$ 220
6 Bedcovers	$ 100	$ 600
13 Pillows	$ 10	$ 140
5 Whiteout Curtains	$ 70	$ 350
3 Bureaus with Mirrors	$ 200	$ 600
3 Lamps	$ 50	$ 150
24 White towels/wash cloths	$ 36/dozen	$ 72
20 Glasses	$ 1	$ 20
3 Chairs	$ 75	$ 225
3 Night stands	$ 50	$ 150
Room repairs incl. new wallpaper	$ 200	$ 600
Carpet	$ 150	$ 450
3 Clothes Racks with Hangers	$ 25	$ 75
3 Fire Resistant Wastebaskets	$ 10	$ 30
3 Smoke alarms	$ 15	$ 45
3 Door Locks	$ 10	$ 30
1 Additional "Guest Only" Bathroom	$ 6,000	$ 6,000
Parking Area	$ 500	$ 500
Additional niceties (ie. 2 bicycles, 1 barbecue)	$ 500	$ 500
Total		**$ 12,707**

Estimated Annual Operating Costs[9]
2 Star Bed and Breakfast Operation
(Based on Three Bedrooms)

Income		
B&B Income from a three-unit Farm Home (Based on 60% occupancy rate)	**$**	**10,080.00**
Annual Operating Expenses		
Labour (2.5 hours/day x 60 days x $6/hr)	$	900.00
Liability Insurance (For $2 million coverage at PEI Mutual)	$	211.00
Association Memberships		
- TIAPEI	$	100.00
- Tourism PEI	$	80.00
- PEI Farm Vacation Association	$	65.00
- Local Area Tourist Association	$	48.00
- PEI Vacancy Board	$	70.00
- Canada Select	$	80.00
Advertising		
- 1000 Brochures	$	129.00
- Business cards	$	200.00
- Ad in PEI Tourist Guide without photo	$	134.00
- Internet Advertising (ie. www.peionline.com)	$	200.00
- 1-800 number	$	120.00
Breakfast and Evening Snack Supplies	$	1,000.00
Laundry Expenses	$	250.00
Individual Soaps/hand conditioner/shower caps	$	40.00
Toilet Paper	$	50.00
Garbage Bags	$	20.00
Additional electrical/heating expenses	$	300.00
Water Testing	$	12.84
Repairs	$	100.00
Major credit card @ 3%	$	200.00
Accountant	$	75.00
Total Estimated Annual Operating Expenses:	**$**	**4,384.84**
Margin	**$**	**5,695.16**

Financing and Programs

Atlantic Canada Opportunities Agency: ACOA offers services and programs to assist tourism operations in their improvement projects. The Cottage Operation example was eligible for funding from ACOA. After an assessment from the Account Managers which looked at the overall package, including the business plan, ACOA would lend up to 40% of the setup costs to a maximum of $400,000. This loan is interest free and the first payment is not due until one year after project completion. The length of payments are over 10 years but the average payment is usually 5-8 years. The loan from ACOA is unsecured which encourages banks to look at providing the remaining loan more favourably. Account Managers can be contacted to discuss funding guidelines and obtain application forms.[10]

Industry Associations: There are several associations which may be of assistance in establishing your business. They include sectoral (ie. Bed and Breakfast Association), regional (ie. West Prince Tourist Association), and province wide associations (ie. PEI Farm Vacation Association). For further information, refer to the Resources section of this profile.

Memberships with various associations is strongly advised. It provides an opportunity to meet and network with members involved in similar business ventures. It also allows the tourism operator to have a voice in the industry.

Consultative Services: Quality Tourism Services Inc. is a non-profit organization that offers consultative services to assist in establishing or improving your business. They also maintain a resource of information on supplies and services utilized by the sector.

Tourism PEI Services and Programs: Tourism PEI offers a wide variety of services to the tourism industry. They are responsible for the Highway Information Signage System, the PEI Visitor's Guide, and Private Literature Distribution to distribute your brochures to the Provincial Visitor Information Centres. They are no longer responsible for processing reservations.

Lending Institutions such as Chartered Banks and Credit Corporations: If an enterprise brings a sound business plan to a lending institution, the institution will be prepared to discuss the proposal and work out some lending arrangements. Financial advisors are currently encouraging farm owners to diversify and the tourism industry appears to be a favourable investment.

Resources

PEI Department of Agriculture and Forestry
Charlottetown Research Centre
440 University Avenue
Charlottetown, PEI, C1A 7N3
(902) 368-5600
1-800-959-8929

Canada/Prince Edward Island Business Services Centre
75 Fitzroy Street
P.O. Box 40
Charlottetown, PEI, C1A 7K2
1-800-668-1010

Atlantic Canada Opportunities Agency (ACOA)
100 Sydney Street
P.O. Box 40
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(902) 566-7492
1-800-871-2596

Agriculture and Agri-Food Canada
Market and Industry Services Branch
440 University Avenue
P.O. Box 2949
Charlottetown, PEI, C1A 8C5
(902) 566-7300

Business Planning for Agriculture Ventures
1-888-322-2728
Local contact:
Beaton, Fitzpatrick, Murray,
Chartered Accountants
91 Water Street
P.O. Box 2158
Charlottetown, PEI, C1A 8B9
(902) 892-5365

Business Development Bank of Canada
Royal Trust Building
Charlottetown, PEI, C1A 7L1
(902) 566-7454

Quality Tourism Services Inc.
68-70 University Avenue
P.O. Box 3401
Charlottetown, PEI, C1A 8W5
(902) 566-3501

Tourism Industry Association of PEI
23 Queen Street, 3rd Floor
Charlottetown, PEI, C1A 7N7
(902) 566-5008

Tourism PEI
P.O. Box 940
Charlottetown, PEI, C1A 7M5
(902) 368-5540
1-888-734-7529

Tourism PEI Advertising Co-op Program
c/o Steve Dunne
62 Great George Street
Charlottetown, PEI, C1A 4K3
(902) 892-1115

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9. Personal interviews with the owners of three tourist accommodation operations, PEI Farm Vacation Association: Heather and Ronald Toombs, Orchard View Farm Tourist Home & Cottages, Cavendish Road, PEI; Esther and Brent Mutch, Esther's Century Farm Home & House Keeping Cottages, Earnscliffe, PEI; and Louise Smith, Smith's Farm Bed and Breakfast, Millview, PEI.
10. Lynne Beairsto, Tourism Account Manager, ACOA.